

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 342 - HB 336**

February 21, 2011

**SUMMARY OF BILL:** Eliminates Class A and Class B donees for the purposes of gift tax administration. Defines “donee” as any person or entity to which a gift is made. Increases the state gift tax exemption threshold to match the federal gift tax exemption threshold. Makes multiple changes to the gift tax rate structure.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$596,000**

Assumptions:

- There will be no impact on gift tax revenue attributable to Class A donees as a result of this bill because the state’s exemption threshold for Class A donees matches the federal exemption threshold under current law and both thresholds will continue to match under this bill.
- Pursuant to Tenn. Code Ann. § 67-8-104(a)(1), the state’s gift tax exemption threshold for Class B donees is \$5,000. Under this bill, the gift tax exemption threshold for all donees will increase from \$5,000 to \$10,000 (the federal exemption threshold).
- The gift tax rate structure applicable to Class B donees under current law will change as a result of this bill so donees that were formerly classified as Class B donees will pay less gift tax for any amount of gift received.
- The Department of Revenue (DOR) estimates that 40 percent of gift tax revenue currently attributable to Class B donees will be lost due to the increased exemption threshold and the decreased tax rate structure.
- According to DOR, Class B gift tax revenue in FY09-10 was approximately \$1,490,000.
- Class B gift tax revenue will remain constant under current law.
- The recurring decrease in state revenue is estimated to be \$596,000 (\$1,490,000 x 40%).
- One hundred percent of gift tax revenue is deposited in the state’s General Fund.

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**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc